UNITED
NATIONS

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Security Council

Distr.
GENERAL

S/1994/629
30 May 1994

ORIGINAL: ENGLISH

REPORT OF THE SECRETARY-GENERAL ON HIS MISSION OF GOOD OFFICES IN CYPRUS

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I. INTRODUCTION

1. By paragraph 12 of its resolution 889 (1993), of 15 December 1993, the Security Council requested me to submit a report by the end of February 1994 on the outcome of my efforts to achieve an agreement on the package of confidence-building measures relating to the fenced area of Varosha and Nicosia International Airport that have been the focus of my mission of good offices since April 1993. By paragraph 13, the Council decided to undertake, on the basis of that report, a thorough review of the situation, including the role of the United Nations, and, if necessary, to consider alternative ways to promote the implementation of its resolutions on Cyprus.

2. In my report of 4 March 1994 (S/1994/262), I indicated that, by the end of February, (a) the package of 1 July 1993 (see S/26026) had been accepted in principle by both sides; (b) proximity talks had begun in Nicosia on the basis of an agreed agenda entitled "Arrangements for working out the modalities for implementing the package of confidence-building measures" (see S/1994/262, annex II); and (c) it had been agreed in the proximity talks that my representatives should put forward ideas designed to assist the two sides to reach a common position by reconciling their views on each of the key issues that comprised the agenda. I concluded in my report of 4 March that it ought to be possible for the two leaders to bring the proximity talks to a positive conclusion within a few weeks and that the Security Council might therefore consider it appropriate to undertake, towards the end of March, the thorough review that it had decided upon in resolution 889 (1993).

3. On 11 March 1994, in resolution 902 (1994), the Security Council welcomed my report of 4 March, stressed the need to conclude without delay an agreement on the key issues for implementing the package of confidence-building measures and requested me to provide, by the end of March 1994, a report on the outcome of my efforts.

4. On 9 March, my Deputy Special Representative, Mr. Gustave Feissel, presented to each leader draft ideas for implementing the package. Following further intensive discussions, the two leaders were given, on 21 March, a revised version of the draft ideas, which took account of the Turkish Cypriot leader's many comments on the 9 March text.

5. During the visit to Cyprus by my Special Representative, Mr. Joe Clark, from 21 to 23 March, the leader of the Turkish Cypriot community expressed numerous objections to the revised draft ideas, maintaining that they contained major changes from the package of 1 July 1993 in favour of the Greek Cypriot side. The Turkish Cypriot leader objected in particular to elements in the draft ideas related to access between the United Nations-controlled buffer zone and the fenced area of Varosha, traffic rights at Nicosia International Airport, the timing of the benefits to the Turkish Cypriot side and the collection of customs duties. The leader of the Greek Cypriot community stated that he was prepared to accept the revised paper of 21 March if the Turkish Cypriot leader would do likewise. In my report of 4 April 1994 (S/1994/380), I informed the Council that the discussions between my representatives and the leader of the Turkish Cypriot community had not yielded the response necessary to make an

agreement possible; that I continued to believe that the package of confidence-building measures offered real benefits to both sides; and that I would pursue my effort and report again by the end of April.

6. By a letter dated 11 April 1994 (S/1994/414), the President of the Security Council informed me that Council members fully supported my intensive efforts but that they were concerned that insufficient progress had been made in the proximity talks to permit an agreement to be reached as had been envisaged in my report of 4 March 1994. The Council members noted the willingness of the leader of the Greek Cypriot community to accept the 21 March text, provided that the Turkish Cypriot leader did likewise. The following few weeks would prove an important test of the parties' commitment to making progress towards an overall settlement. Finally, the Council members reiterated the terms of resolutions 889 (1993) and 902 (1994); endorsed my approach; underlined the need to conclude, before the end of April, an agreement on the implementation of the confidence-building measures on the basis suggested by me; and looked forward to receiving from me a full report at that time.

II. DEVELOPMENTS SINCE THE LAST REPORT OF THE SECRETARY-GENERAL

7. In mid-April 1994, my Deputy Special Representative held further meetings in Nicosia with the two leaders, with the visiting Deputy Under-Secretary of the Ministry of Foreign Affairs of Turkey and with others. On 23 April, while in Washington, my Special Representative conferred with the Foreign Minister of Greece. From 24 to 26 April, Mr. Clark, accompanied by Mr. Feissel, visited Ankara, where he met Deputy Prime Minister Karayalcin and, in the absence of the Foreign Minister, senior officials of his Ministry. They then met in Nicosia with the leader of the Greek Cypriot community and twice with the leader of the Turkish Cypriot community. Following the second meeting, on 28 April, the leader of the Turkish Cypriot community called a press conference, at which he declared that the talks had collapsed. Mr. Clark stated publicly after that meeting that, in his view, there was no apparent point in continuing the talks at that time and that he would need to reflect on the situation before reporting to me. Mr. Clark briefed me fully on 30 April.

8. In order to leave no stone unturned and to establish whether the position of the Turkish Cypriot side had evolved sufficiently to permit agreement on a basis close to the 21 March draft ideas, on 11 and 12 May my Deputy Special Representative participated in meetings in Vienna between senior representatives of Turkey, the United States and the Turkish Cypriot community. Unfortunately, neither at those meetings nor in the days since has the Turkish Cypriot side indicated that agreement is possible. I am now presenting to the Council the full report that was initially requested for the end of February and twice postponed.

9. At the proximity talks in Nicosia and again in Vienna, the Turkish Cypriot side put forward two variants of a deal that would go beyond the package of confidence-building measures and would in some respects be contrary to its purposes in that they would not foster bicommunal contact. My representatives took the position that such proposals could be discussed only with the consent

of both sides. Such consent did not materialize and the proposals were therefore not pursued.

III. DRAFT IDEAS OF 21 MARCH 1994 FOR IMPLEMENTATION OF THE 1 JULY 1993 PACKAGE OF CONFIDENCE-BUILDING MEASURES

10. The package of confidence-building measures accepted in principle by both leaders is set out in four paragraphs of my report of 1 July 1993 (S/26026, paras. 37, 38, 42 and 43). The draft ideas of 21 March 1994 contained modalities for implementing the package.

11. The draft ideas are faithful to the package of confidence-building measures and to its purpose, as defined in my report of 1 July 1993 (S/26026), and faithful also to further considerations that had been set out in subsequent reports to the Security Council and in my communications with the two leaders. Among these were the following:

(a) Neither side should seek any political advantage or require the other side to make political concessions in this context (S/1994/262, annex II);

(b) The benefits of the confidence-building measures for the Turkish Cypriot side would mean the lifting for all practical purposes of the economic obstacles that have been weighing so heavily on that community, especially as regards overseas travel and trade and the development of a tourist industry. For the Greek Cypriot side, they would open the way for owners of property in the fenced area of Varosha to reclaim possession of their property and to use it again (S/26026, para. 47);

(c) The reopening of Nicosia International Airport would provide the Turkish Cypriot community with a direct link with the economies of other countries. The Turkish Cypriot community would be able to export produce direct to overseas markets and to import in a similar manner. In addition, it would be able to attract a direct flow of foreign tourists to the northern part of the island. Turkish Cypriots would also be able to travel direct from Nicosia to overseas destinations (S/26026, para. 44);

(d) Arrangements would have to be worked out to ensure unhindered and secure access from the southern part of the island to the fenced area of Varosha, without which the package would not be feasible (4 March 1994, S/1994/262, para. 24);

(e) Turning the fenced area of Varosha into a special area for bicommunal contact and commerce had been a most important element in the package since its inception and it involved in particular making economic opportunities in the fenced area available to Turkish Cypriots (S/1994/262, para. 28).

12. The draft ideas of 21 March 1994 fulfil all those considerations and provide modalities for the effective implementation of the whole package. This is illustrated by annex I to the present report, which compares the individual provisions of the 1 July 1993 package with the corresponding paragraphs of the draft ideas of 21 March 1994 for implementing that package.

A. The fenced area of Varosha

13. The package of 1 July 1993 makes it clear "that the fenced area would be placed under the administration of the United Nations". The United Nations would administer the fenced area, and not either of the two sides, or both. The same applied to Nicosia International Airport. It was also provided that "the United Nations could enlist the advice and assistance of both sides", that "the Chambers of Commerce and Industry of both sides would assist the United Nations administration in the Area in developing and implementing intercommunal trade for the benefit of both communities" and that "organizations of both communities selected by the United Nations would assist the United Nations administration in the Area in developing and implementing intercommunal contact". The draft ideas' provision for consultation with the two sides not only satisfies those requirements of the package but goes substantially beyond them.

14. It was clear from the outset that security of access between the fenced area of Varosha and the United Nations-controlled buffer zone would be a key issue. The package states that "Greek Cypriots and Turkish Cypriots would be able to enter the fenced area freely and without any formality". The agreed arrangements of 15 February (S/1994/262, annex II) included among the key issues on which the two leaders were to reach a common understanding "secure travel to and from the fenced area". In my report of 4 March 1994, I underlined that "arrangements would have to be worked out to ensure unhindered and secure travel between the southern part of the island and the fenced area of Varosha, without which the package would not be feasible". Given the lack of confidence between the two communities, responsibility for ensuring secure travel on the link road had to be carried out by the United Nations in a manner that would not affect the territorial status quo.

15. The draft ideas accordingly suggested that "the area between the southern perimeter of the fenced area of Varosha and the United Nations-controlled buffer zone will be included in the unmanning agreement called for by the Security Council in resolution 889 (1993). Passage between the southern end of the fenced area of Varosha and the United Nations-controlled buffer zone will be under the protection of the United Nations". This would not involve any change in the current cease-fire line, or any change in the area under Turkish Cypriot control. It simply envisaged the acceptance of certain procedures to ensure effective implementation of the confidence-building measures. The Turkish Cypriot side was asked to agree that existing military positions in the area in question would not be occupied, except on predetermined occasions. The 1989 unmanning agreement relating to the cease-fire lines in certain areas of Nicosia has demonstrated the feasibility and value of such arrangements.

16. A further key aspect of the package was the arrangements for making the fenced area a special one for bicommunal contact and commerce. The package provides that Greek Cypriots and Turkish Cypriots (a) will be able to enter the fenced area of Varosha freely and without formality; (b) can engage in commercial activities, including the sale of products, produce and services brought there from their respective sides; (c) can establish commercial enterprises in the fenced area, while those who do not own property there will be provided premises on the basis of long-term leasing and the construction of new premises; (d) the Chambers of Commerce and Industry of both sides will

assist the United Nations administration in developing and implementing intercommunal trade for the benefit of both communities; (e) organizations of both communities selected by the United Nations will assist the United Nations in developing intercommunal contact; and (f) the Chambers of Commerce and Industry of the two sides will together identify, develop and promote joint ventures between Greek Cypriots and Turkish Cypriots. The package also provides that arrangements will be made to finance such projects through loans, loan guarantees, etc.

17. As is clear from annex I, the draft ideas of 21 March 1994 fully address the promotion of bicommunal contact and commerce. They provide that commercial activities in the fenced area would include the sale of products, produce and services, whether locally produced or imported, irrespective of origin, brought in from either side. A United Nations property-leasing office would be established to assure the availability of business premises for those who wished to establish commercial enterprises in the fenced area and who did not own property there. It was stated explicitly that a principal aim of the arrangements was to afford Turkish Cypriots equal opportunity to conduct business in the fenced area. The periodic budget for the administration of the fenced area of Varosha would contain a provision for the promotion of bicommunal contact and exchange in a wide variety of fields.

B. Nicosia International Airport

18. It is clear from annex I to the present report that the provisions of the draft ideas for United Nations administration of Nicosia International Airport are also entirely faithful to the July 1993 package.

19. With respect to air traffic rights, the package states that "traffic rights at the Airport would be limited to foreign airlines that have traffic rights in Cyprus. Such rights would be enjoyed by airlines registered in the Republic of Turkey."

20. In the draft ideas of 21 March 1994, the relevant paragraphs state:

> "42. Traffic rights at Nicosia International Airport will be enjoyed by airlines that have traffic rights in Cyprus and by an agreed number of airlines registered in Turkey.
>
> "43. The United Nations Temporary Administration airport administrator will have authority to negotiate traffic rights for a Turkish Cypriot airline between Nicosia International Airport and overseas destinations.
>
> "44. The United Nations Temporary Administration airport administrator shall have authority to undertake measures as may be necessary to implement traffic rights at Nicosia International Airport, to approve non-scheduled flights and charter programmes, to allocate gates and slots and to regulate traffic."

21. It will be noted that paragraph 42, cited above, (a) omits the word "foreign" that had figured in the text of the 1 July 1993 package and (b) contains an element that had not been specifically mentioned in the package, namely, that there would be some limitation on the number of airlines registered in Turkey that would enjoy traffic rights at Nicosia International Airport. The first change was made so that Cyprus Airways would not be precluded from operating at Nicosia International Airport. This was considered equitable in view of the introduction of a provision in the draft ideas for a Turkish Cypriot airline to operate at the airport as if it were its home base. Given the provision in the package that Nicosia International Airport would be reopened for the equal benefit of both sides, it would have been unfair for the draft ideas to make specific provision for a Turkish Cypriot airline registered in Turkey, while excluding Cyprus Airways because it was not a foreign airline. The second change had to do with the need for appropriate regulation of the number of airlines operating at Nicosia International Airport. The absence of any limit on the number of airlines registered in Turkey eligible to use Nicosia International Airport would have opened the way for any airline to operate at Nicosia International Airport simply by registering in Turkey. No country was known to have accorded such rights without any limitation to airlines registered in another country.

22. It will also be noted that the inclusion of paragraph 43 in the draft ideas introduced an element of major benefit to the Turkish Cypriot side. International air service agreements provide that airlines of one country operating to and from another country that is party to a bilateral agreement are normally limited to picking up and delivering passengers and cargo between the two countries concerned. Only in rare cases, and only where specific agreements have been concluded between the countries concerned, may an airline exercise the so-called "fifth freedom" (i.e. the right to operate commercially between two or more States other than the one where the airline is registered). It was considered that, even though the package did not specifically call for such an arrangement, its spirit argued in favour of enabling a Turkish Cypriot airline, registered in Turkey, to operate direct between Nicosia International Airport and third countries, in effect with "fifth freedom" rights, as if the airport were its home base.

23. A key benefit of the package, the direct connection for the Turkish Cypriot community with overseas destinations, would be fully provided through: (a) scheduled operations at Nicosia International Airport by all international carriers that have traffic rights in Cyprus and choose to exercise them at Nicosia International Airport; (b) a Turkish Cypriot airline registered in Turkey operating direct scheduled flights between Nicosia International Airport and overseas destinations in exercise of "fifth freedom" rights negotiated by the United Nations administrator of Nicosia International Airport; and (c) charter programmes and non-scheduled flights, by which the bulk of tourists and air cargo are transported, as approved by the United Nations administrator of Nicosia International Airport. In addition, scheduled flights would be operated between Nicosia International Airport and Turkey by an agreed number of airlines registered in Turkey.

24. In respect of the free movement of people and goods through Nicosia International Airport, the package states inter alia: "Nicosia International Airport would be opened for civilian passenger and cargo traffic ... there would be free access to and from the airport from both sides ... foreign visitors who entered Cyprus through Nicosia International Airport could, during their stay on the island, travel unhindered between the two sides ... these arrangements would be implemented without prejudice to the respective positions of both sides on an overall settlement of the Cyprus problem". There can be no doubt that these elements represent for the Turkish Cypriot side a crucial benefit of the package, nor can there be doubt that they are fully reflected in paragraphs 46 and 47 of the draft ideas of 21 March 1994.

C. Implementation of the confidence-building measures set out in annex I to the Secretary-General's report of 1 July 1993

25. Provisions related to the other confidence-building measures set out in annex I to my report of 1 July 1993 are contained in the penultimate section of the draft ideas of 21 March 1994. These envisage that international assistance will benefit the two communities in an equitable manner. The draft ideas fully cover this objective and incorporate concrete measures whereby, once the package is accepted by both sides and endorsed by the Security Council, the United Nations will assist the Turkish Cypriot side in obtaining international assistance, in particular to help to develop its tourism.

D. Schedule of benefits

26. In my report of 4 March 1994, I indicated that the key questions that needed to be resolved by the two leaders in regard to the schedule were: (a) the date on which the fenced area of Varosha and Nicosia International Airport would be placed under United Nations administration; (b) the date on which Nicosia International Airport would be reopened for operations; and (c) the date on which phase two of the reopening of the fenced area of Varosha (the part north of Dhimokratias Street) would begin. It had already been made clear in the package that both sides accepted in principle (S/26026) that phase one of the fenced area of Varosha (the part south of Dhimokratias Street) would be reopened two months after the fenced area was placed under United Nations administration. I also noted that both leaders envisaged a degree of synchronization in the various benefits that would flow to each side. I concluded that the package contained such a wide spread of benefits that there was ample scope for the two leaders to agree on a schedule that would bring real and tangible benefits to both sides at each stage.

27. The draft ideas provide for a schedule that sets out the significant benefits that would accrue to each side (see annex II to the present report), including, for the Turkish Cypriot side, additional benefits that were not provided for in the package. Furthermore, the draft ideas bring forward certain benefits that had been expected to accrue to the Turkish Cypriot side at a later stage.

IV. POSITION OF THE GREEK CYPRIOT SIDE AND THE PRINCIPAL OBJECTIONS RAISED BY THE TURKISH CYPRIOT SIDE

28. The leader of the Greek Cypriot community stated to my representatives that, while he did not favour many of the changes that had been introduced in the 21 March text of the draft ideas in response to Turkish Cypriot concerns, he was prepared none the less to accept the revised text if the Turkish Cypriot side did likewise.

29. The Turkish Cypriot leader, as noted earlier, voiced extensive objections to the draft ideas, stating that they differed significantly from the package of confidence-building measures and from the understandings underlying it. He claimed that the balance of interests embodied in the package had been seriously altered in favour of the Greek Cypriot side, especially in five areas:

(a) The schedule for the implementation of the package, especially regarding the timing of benefits to the Turkish Cypriot side;

(b) Arrangements concerning traffic rights at Nicosia International Airport;

(c) Collection by the United Nations of customs duties in Varosha and Nicosia International Airport;

(d) Arrangements concerning secure travel between the buffer zone and the fenced area of Varosha;

(e) The map delineating the fenced area of Varosha.

A. Implementation schedule, especially as regards the timing of benefits to the Turkish Cypriot community

30. The Turkish Cypriot leader maintained that the schedule for implementing the package did not bring any concrete benefit to the Turkish Cypriot side prior to the opening of Nicosia International Airport (i.e. during the first 12 months of the implementation process). He therefore proposed that the area north of Dhimokratias Street in Varosha should be retained by the Turkish Cypriot side until Nicosia International Airport was reopened. He contended further that, if the entire fenced area of Varosha was placed under United Nations administration at the outset, the Greek Cypriot side would not feel compelled to abide by the agreement to reopen Nicosia International Airport for the benefit of the Turkish Cypriot side.

31. My representatives pointed out that the draft ideas provided for a significant number of very important benefits to flow to the Turkish Cypriot community at the outset, some of which went beyond those intended in the package (annex II to the present report, D+2 months). On 27 April 1994 my Special Representative recalled the significant benefits that the Turkish Cypriot community would obtain soon after the approval of the agreement by both sides and its endorsement by the Security Council, all of which went beyond what had been envisaged in the July 1993 package:

(a) Entry documents for Turkish Cypriots. By the time an agreement was signed, the United Nations, which had already informally contacted a number of countries, would confirm to the Turkish Cypriot side that firm commitments had been obtained from countries representing all major overseas destinations for Turkish Cypriots to the effect that, at D+2 months, without waiting for the reopening of Nicosia International Airport, they would adopt for visiting Turkish Cypriots entry document procedures similar to those currently used by the United States of America or the United Kingdom of Great Britain and Northern Ireland. Upon signature of the implementation agreement, the Secretary-General would write to those countries encouraging them to take such steps, of course in a manner consistent with resolutions of the Security Council;

(b) Traffic rights at Nicosia International Airport. By the time the agreement was signed, the United Nations, which had already been in informal contact with a number of countries, would confirm to the Turkish Cypriot side that commitments had been obtained from certain countries, that were important destinations for Turkish Cypriots and points of origin of tourists to Cyprus that, upon commencement of the implementation process, those countries would be prepared to enter into negotiations with the United Nations administrator of Nicosia International Airport with a view to granting a Turkish Cypriot airline, registered in Turkey, air traffic rights to operate direct between them and Nicosia International Airport;

(c) International assistance for the Turkish Cypriot community. My Special Representative pointed out that the package made only very general provisions in respect of international assistance. The draft ideas on the other hand committed the United Nations to assist the Turkish Cypriot side in obtaining international financial assistance. He had been in contact with the Commission of the European Union, and it was possible to foresee that the Union would, from money earmarked for Cyprus, make available significant funds for assisting effectively the implementation of the confidence-building measures package and that those funds would be channelled in a manner that would be acceptable to all sides.

32. My representatives underlined that the draft ideas provided other significant benefits for the Turkish Cypriot side that would take effect as soon as the fenced area of Varosha and Nicosia International Airport were placed under United Nations administration, including:

(a) The flow of foreign visitors travelling from the southern part of the island through Varosha to the northern part, who would be able to remain there for an unspecified duration and who would be able to bring back from the northern part items purchased for their personal use. It is estimated that at least 10 per cent (i.e. at least 200,000) of the foreign tourists who visit the southern part of the island annually would avail themselves of this opportunity to visit the northern part. This would result in an estimated annual revenue of at least $34 million for the Turkish Cypriot side;

(b) The project for the restoration of Nicosia International Airport would result in a significant number of jobs and contracts for the Turkish Cypriot side. It is estimated that over $5 million in contracts and a significant number of the nearly 200 jobs involved would be won by Turkish Cypriots;

(c) The restoration of the fenced area of Varosha is estimated to cost at least $1 billion, of which some 35 per cent would be for semi-skilled and unskilled labour, most of which would be likely to come from the Turkish Cypriot side in view of wage competitiveness. Some 10 per cent of the required construction services and material, with a value of about $50 million, was estimated to come from the Turkish Cypriot side.

33. With regard to the Turkish Cypriot leader's demand that the northern part of the fenced area of Varosha be retained by the Turkish Cypriot side and placed under United Nations administration only when Nicosia International Airport became operational, my representatives pointed out that the package of July 1993 provided for the entire fenced area of Varosha "to be placed under United Nations administration" as from an agreed date (S/26026, para. 37). Furthermore, the rebuilding and restoration of the fenced area of Varosha and of Nicosia International Airport respectively could not be expected to proceed unless both areas were placed under United Nations administration at the outset.

B. Arrangements concerning traffic rights at Nicosia International Airport

34. The Turkish Cypriot side maintained that the removal of the word "foreign" (para. 21 above) represented a significant and unacceptable change in the July 1993 package. This would permit the use of Nicosia International Airport by Cyprus Airways, which they opposed. If Cyprus Airways was to operate at Nicosia International Airport, there would have to be parity of treatment between it and a Turkish Cypriot airline operating there, which meant that Cyprus Airways would have to operate in exercise of traffic rights negotiated with foreign countries on its behalf by the United Nations. The Turkish Cypriot side also argued on occasions that Cyprus Airways would have to re-register in Greece, use Nicosia International Airport as an airline so registered and remove from its aircraft all national flags and insignia.

35. The Turkish Cypriot side also maintained that the provision for an agreed limitation on the number of airlines registered in Turkey also represented an unacceptable change in the 1 July 1993 package. My representatives argued that the package did not call for unlimited access to Nicosia International Airport for any and all airlines registered in Turkey. The Turkish Cypriot leader indicated that he was contemplating traffic rights at Nicosia International Airport for five airlines now operating between Tymbou (Erçan) airport and Turkey. My Special Representative told him that what might be feasible would be scheduled flights at Nicosia International Airport for two airlines registered in Turkey, namely, Turkish Airlines and a Turkish Cypriot airline. Other airlines would be entitled to apply to the United Nations administrator of Nicosia International Airport to operate non-scheduled flights or charter programmes.

36. The Turkish Cypriot side further insisted not only that all airlines registered in Turkey should enjoy traffic rights at Nicosia International Airport, but that such rights should automatically include "fifth freedom" rights. At the very least, such rights should be enjoyed by all five airlines registered in Turkey that currently operated at Tymbou (Erçan) airport. My

representatives told the Turkish Cypriot leader that that was not implicit in the July 1993 package, which provided for airlines registered in Turkey to have at Nicosia International Airport the same rights as those enjoyed at present by foreign airlines in Cyprus. The rights currently enjoyed by foreign airlines in Cyprus, including even the national carrier of Greece, did not include "fifth freedom" rights and it was untenable that "fifth freedom" rights should none the less be enjoyed by any and all airlines simply by virtue of their being registered in Turkey.

37. My representatives reminded the Turkish Cypriot leader that the package specifically stated that the airport would be reopened "for the equal benefit of both sides". The choice of the United Nations was between a strict reading of the July 1993 package, which would have militated against both sides, and a sensible reading, which brought benefits to both sides. A strict interpretation would indeed mean that Cyprus Airways could not use Nicosia International Airport and that all airlines registered in Turkey could do so, simply by virtue of such registration. That would represent a disadvantage to the Greek Cypriot side. However, a strict interpretation would also bring disadvantages to the Turkish Cypriot side. In particular, there would be no provision for flights by Turkish-registered airlines between Nicosia International Airport and foreign destinations, other than Turkey, since none (including the Turkish Cypriot airline) would have "fifth freedom" rights at Nicosia International Airport. My representatives, rejecting a strict reading of the package, put forward a sensible interpretation that would benefit both sides.

C. Collection of customs duties at Varosha and Nicosia International Airport

38. The Turkish Cypriot leader objected strongly to the proposed collection of customs duties by the United Nations administrators at Nicosia International Airport and Varosha. He asserted that the collection of customs duties was a prerogative each side exercised at the present time. His side wished to retain that function as an instrument of macroeconomic management. My representatives pointed out that neither the package nor the draft ideas affected de facto arrangements that might be made in the northern part of the island. While they could not commit the Greek Cypriot leader in that matter, they hoped that, should all other matters under discussion be resolved to the satisfaction of both sides, the question of the collection of customs duties would not be allowed to block an agreement.

D. Secure travel between the fenced area of Varosha and the United Nations-controlled buffer zone

39. The Turkish Cypriot side categorically rejected unmanning (see para. 15 above) and resisted the suggestion that the access route between the fenced area of Varosha and the buffer zone should be under United Nations protection. Paragraph 38 of my report of 1 July 1993 (S/26026) merely provided, in the fourth subparagraph, that Greek Cypriots and Turkish Cypriots would be able to enter the fenced area of Varosha freely and without any formality. The draft ideas ventured outside the parameters of the package in an area under the

exclusive "jurisdiction" and control of the Turkish Cypriot side. The Turkish Cypriot side proposed instead an arrangement whereby (a) the Turkish Cypriot side would undertake to ensure that Greek Cypriots would be able to travel to and from the fenced area of Varosha freely and without any formality; (b) the entrance to the link road would be manned by Turkish Cypriot civilian police in uniform and with small arms; (c) the United Nations could observe from its posts in the buffer zone activities at the Turkish Cypriot checkpoint; and (d) United Nations personnel would have free and unhindered travel on the link road.

40. My representatives explained to the Turkish Cypriot leader that guaranteed security of access was necessary to secure the large investments required for the reconstruction and revitalization of Varosha. Without that assurance, the package would not be feasible. The mistrust between the two communities made it implausible, at least for the time being, for the Greek Cypriot side to accept on trust assurances from the Turkish Cypriot side that access would be guaranteed by the Turkish Cypriot side. The proposal for unmanning and United Nations protection did not require any adjustment to the cease-fire line or any change in the area under Turkish Cypriot control (see paras. 14 and 15 above). The Turkish Cypriot side declined to accept this argumentation and maintained its position.

41. On 23 March, my representatives mentioned an alternative arrangement by which a new road, close to the seashore, would link the buffer zone with the southern end of the fenced area of Varosha. (The original proposal had envisaged the use of the existing "Dherinia" road, located inland.) The Turkish Cypriot leader agreed to consider that suggestion, but later gave a negative response.

42. After exhaustive discussions with the Turkish Cypriot leader, my representatives came to the conclusion that agreement could not be reached on the unmanning of the area between the fenced area of Varosha and the buffer zone. They stressed to him, however, that in that case the manner in which the United Nations would protect passage between the fenced area and the buffer zone would need to be very fully defined. On 27 and 28 April 1994, the Turkish Cypriot leader stated that Turkish and Turkish Cypriot forces would remain in the area between the fenced area of Varosha and the buffer zone but that every effort would be made to ensure that they would be not visible from the link road. My representatives stated that, for that to be meaningful, the troops in question would have to remain a considerable and specified distance from each side of the link road. They proposed that that distance should be 1 kilometre and that any crossing of the road would be done under a strictly set regime. The Turkish Cypriot side, however, refused to accept that the Turkish forces would need to remain any specified distance from the link road.

43. My representatives proposed that there be no Turkish Cypriot presence on the link road; that at each end of the road, just inside the areas under United Nations control, there be located United Nations booths for the control of traffic entering and exiting from the link road; and that some distance from the road, but within sight of it, there could be a booth for Turkish Cypriot civilian liaison personnel, who could maintain contact with the United Nations personnel and inform them of any concern that they might have related to traffic on the link road. The United Nations personnel would follow up as appropriate.

The Turkish Cypriot leader, for his part, proposed that uniformed Turkish Cypriot civilian police, armed with side-arms, be located in a house immediately adjacent to the road at a point just north of the buffer zone. Such police must be in a position to use the road in case of accidents or other incidents requiring investigation, although in such circumstances the Turkish Cypriot police could be accompanied by United Nations personnel. My representatives argued to no avail that such a Turkish Cypriot presence on and near the road would cause such apprehension to Greek Cypriots that it was unlikely that they would enter or invest in the fenced area of Varosha.

E. Map of the fenced area of Varosha

44. In the preparatory talks of April/May 1993, my representatives gave to the two leaders a map provided by the United Nations Peace-keeping Force in Cyprus (UNFICYP) that delineated the fenced area of Varosha. In line with the situation that has existed on the ground since 1974, that map did not show a physical fence in place along the southern boundary of the fenced area. This is because the fenced area is bound by a fence only in the north and west (to the east the boundary is the sea). On the western edge of the fenced area, the fence proceeds southwards along the eastern side of the Dherinia road and stops where the municipal boundary of Varosha (running east-west) intersects the road. It has always been the view of the United Nations that the southern edge of the fenced area begins at this point of intersection and from there follows the municipal boundary of Varosha to the sea (see annex III).

45. On 11 March 1994, my Deputy Special Representative gave to each side a large-format map, provided by UNFICYP, of the fenced area of Varosha, setting out the present line of the fences in the north and west, together with the southern boundary as described above. Five weeks later, the Turkish Cypriot leader stated that the map given to him on 11 March 1994 was not acceptable. He stated that it was not the same map as had been given to him in May 1993 and did not reflect the fenced area of Varosha. He insisted that the southern boundary of the fenced area should be a straight line originating at the point of intersection on the Dherinia road and continuing eastward in a straight line to the sea. As is clear from the map in annex III, this would reduce considerably the size of the fenced area of Varosha in the south, particularly along the coast. On 28 April 1994, the Turkish Cypriot leader repeated that the United Nations map of the fenced area could not be accepted by him and said that no movement on it was possible, a position that was reconfirmed during the recent talks in Vienna.

V. OBSERVATIONS

46. It has been over a year since the package of confidence-building measures concerning principally the fenced area of Varosha and Nicosia International Airport took shape during intensive talks with the two leaders in Nicosia and New York. In my report to the Security Council of 4 March 1994 (S/1994/262), I indicated that there had at last been some positive movement. The leaders of both communities had at least accepted the package in principle and had agreed to enter proximity talks in Nicosia on the basis of an agreed agenda in order to

work out modalities for the implementation of the package. The commencement of those proximity talks in February 1994 stimulated a widespread hope for success. In my most recent report of 4 April 1994, I had to state that the proximity talks had not yielded a positive result, that my representatives had not received from the leader of the Turkish Cypriot community the agreement for which they had hoped, but that none the less I and my representatives would devote a further month to reaching an agreement. Regrettably, I must now report that our hopes have been dashed.

47. I believe that it is evident from the present report, and in particular from its annexes I and II, that the draft ideas of 21 March 1994 for implementing the package of 1 July 1993 (S/26026) are entirely faithful to that package. In the document of 1 July 1993, the treatment of the confidence-building measures comprised only four paragraphs. It was natural therefore that the draft ideas on how the confidence-building measures were to be given effect would be a longer document. Additionally, many of the benefits that would accrue to each side were only implied in the July 1993 document and needed to be brought out more clearly in the draft ideas. The draft ideas also reflect a small number of substantive adjustments from the 1 July package. However, I insist that these changes are not of such magnitude as to destroy the balance of the package. Taken together, they are at least as beneficial to the Turkish Cypriot side as to the Greek Cypriot side.

48. The draft ideas deliver to both sides, and especially to the Turkish Cypriot side, the benefits envisaged in the package of July 1993 and more. They would enable the Turkish Cypriots to enjoy the full benefits of Nicosia International Airport through unhindered direct passenger travel and direct import and export of goods. The Turkish Cypriot airline would enjoy traffic rights similar to those enjoyed by airlines operating from their home airport. The embargo that has weighed on the Turkish Cypriot community for so long would be substantially punctured. Turkish Cypriots would benefit significantly from the reopening of the fenced area of Varosha and their involvement in economic activities there. The Turkish Cypriots would, from the earliest stages, have their travel to many other countries facilitated through special entry document arrangements. The Turkish Cypriot community would benefit from international financial assistance and from a significant number of economic advantages. These are real and tangible benefits. They would come on stream from the earliest stage in the implementation process.

49. In sum, I consider that the draft ideas of 21 March 1994, in addition to reflecting faithfully the July 1993 package, are both fair and reasonable. Given the central role that the United Nations would play in the administration of the fenced area of Varosha and of Nicosia International Airport, and given the fact that the implementation process would proceed under the direct auspices of the Security Council, I believe that the ideas afford to each side adequate assurance that the benefits envisaged in the package of July 1993 would in fact accrue.

50. The leader of the Greek Cypriot community has stated to my representatives, as well as publicly, that, despite mixed opinions within his community, he is prepared to sign and carry through the draft ideas for implementing the package.

51. The position of the Turkish Cypriot leader on the substance of the draft ideas has been described at considerable length in the present report. I doubt whether agreement can be reached by further revising one or other element of the draft ideas in response to concerns put forward by the Turkish Cypriot side.

* * *

52. It is now 30 years since the Secretary-General was first asked to use his good offices in Cyprus. Nineteen years ago the Security Council, by resolution 367 (1975) of 12 March 1975, requested the Secretary-General to undertake a new mission of good offices with the representatives of the two communities on an equal footing. Since then, the Security Council has repeatedly reaffirmed the good offices mandate and has given, in resolutions and presidential statements, detailed guidance for its implementation. For almost two decades, our efforts have enjoyed the support of the Security Council, and a number of conceptual advances have been registered towards an agreed settlement in Cyprus. But the status quo on the island, which the Security Council has repeatedly declared to be "unacceptable", has not changed. Nor is it likely to change on an agreed basis as long as there is, both on the island and in the region, a lack of political will for such change.

53. For the present, the Security Council finds itself faced with an already familiar scenario: the absence of agreement due essentially to a lack of political will on the Turkish Cypriot side. While it can be understood that the Turkish Cypriot community has sometimes felt that its unhappy experience in the years before 1974 justified its unforthcoming approach on key aspects of the proposed bizonal and bicommunal federation, I find it difficult to understand why similar reluctance should have affected the Turkish Cypriot leadership's approach to a set of eminently reasonable and fair proposals that would bring substantial and tangible benefits to its community without in any way compromising its security or its basic political positions.

54. As it is, the attitude adopted by the Turkish Cypriot leadership will certainly bring with it grave consequences for the well-being of the Turkish Cypriot community, which will have to forgo the benefits that the package would have brought to it: the direct air shipments of cargo to and from countries other than Turkey; the similar direct flights for passengers and tourists; the jobs and contracts that would have flowed from construction in Varosha and the restoration of Nicosia International Airport; the businesses that would have been established in Varosha and Nicosia International Airport; the international assistance that could have amounted to tens of millions of dollars; the arrangements on entry documents for Turkish Cypriots travelling overseas, which would have had an important practical and psychological impact; direct access to the tourist markets of Europe and the world. The Turkish Cypriot community will now forgo the 20 per cent increase in its gross domestic product that it had been authoritatively estimated would have flowed from implementation of the package. Gone will be the economic momentum, the additional jobs and opportunities that would have enabled many young Turkish Cypriots to work and raise families at home in Cyprus instead of emigrating overseas.

55. In its resolution 902 (1994), the Security Council decided, on the basis of the present report, to review the matter further, pursuant to paragraph 13 of resolution 889 (1993). In that paragraph, the Council had decided to undertake a thorough review of the situation, including the future role of the United Nations and, if necessary, to consider alternative ways to promote the implementation of its resolutions on Cyprus.

56. There is a range of options that the Security Council could examine in its review of this deeply unsatisfactory situation.

57. One option would be to conclude that, after 30 years of endeavour, it has become evident that the political will for a negotiated settlement of the Cyprus dispute simply does not exist, and that the scarce peacemaking and peace-keeping resources of the United Nations should be redirected to other disputes and conflicts where there might be a greater chance of success.

58. A second option would be to conclude that a good offices mission, which by its nature is dependent on the consent and cooperation of the parties, is not an adequate method to deal with a situation in which, for the past several years, one side has consistently flouted the wishes of the international community, as represented in the Security Council. This would imply the adoption of coercive measures against that side, in order to compel it to be more flexible and cooperative in negotiations on the question of confidence-building measures.

59. A third option would be to put the latter package on one side for the moment and to try to make progress by resuming discussion of the questions of substance, on the basis of the set of ideas and the map that were presented to the parties in July 1992 (see S/24472) and have been in abeyance since November 1992.

60. A fourth option would be for all concerned to undertake a fundamental and far-reaching reflection on how to approach the Cyprus problem in a manner that will yield results. The approach which the Security Council and successive Secretaries-General have followed hitherto in seeking to achieve negotiated progress on Cyprus has not succeeded. In the light of the situation described in this report, further perseverance by itself is unlikely to achieve that goal. However, without prejudice to any steps the Council may wish to take in the near term, there could be merit in my consulting in depth with the members of the Security Council, with the Guarantor Powers, with the two leaders in Cyprus and with others. The value of such a process of reflection is that it would offer the flexibility to explore far-reaching options.

61. A fifth option would be to build on the fact that both sides have accepted in principle the package of confidence-building measures and to renew the international community's efforts to obtain agreement on their implementation. As already indicated in the present report, the negotiations to date give no reason to believe that agreement will be achieved by further changes in the package, which has already been elaborated in great detail and which, I remain convinced, offers an equitable balance of advantages to both sides.

62. A decision by the Security Council on any of the above options could be preceded by some form of international consultations or deliberations. Various possibilities have been mentioned in this regard: an international conference; a visit to the island and neighbouring countries by a commission composed of all or some of the members of the Security Council; a further visit to the area by my Special Representative.

63. In conclusion, I would like to emphasize that, with any option other than the first, it would be necessary to keep UNFICYP in being in order to maintain peace in the island and ensure a climate conducive to successful peacemaking.

Annex I

Comparison of the package of confidence-building measures of 1 July 1993 and the draft ideas of 21 March 1994

The present annex sets out how the elements of the draft ideas for the implementation of the package of confidence-building measures given to the leaders of the two communities on 21 March 1994 correspond to the package of confidence-building measures accepted in principle by both leaders. 1/

Confidence-building measures package	Draft ideas of 21 March
I. FENCED AREA OF VAROSHA	
The fenced area of Varosha would be placed under United Nations administration as from an agreed date, pending a mutually agreed overall solution to the Cyprus problem (para. 37).	The fenced area of Varosha, as delineated on the attached map (see annex III), will be placed under the temporary administration of the United Nations (United Nations Temporary Administration (UNTA)) pending a mutually agreed overall solution of the Cyprus problem (para. 5). The Secretary-General of the United Nations will appoint a UNTA administrator of the fenced area of Varosha acceptable to the leaders of both communities. The UNTA administrator of Varosha will be responsible to the Secretary-General through the senior representative of the Secretary-General in Cyprus. The administrator will submit six-monthly reports on the implementation of the present agreement related to the UNTA in the fenced area of Varosha and the Secretary-General will report to the Security Council on a regular basis (para. 6).

1/ The paragraphs in parentheses identify the paragraphs of the quoted text in the confidence-building measures package (S/26026) or in the draft ideas of 21 March 1994.

The UNTA administrator of Varosha will have full authority, under the direction of the Secretary-General, to provide good and effective administration and security, to maintain law and order through a UNTA police element and to provide local services, in line with the terms of the present agreement, which will be approved by the Security Council. The administrator of Varosha will be assisted by a small complement of international and local staff as may be required for the efficient administration and security of the fenced area of Varosha under such terms and conditions as the Secretary-General may determine (para. 7).

Two months after the approval by the Security Council of the present agreement, the fenced area of Varosha will be placed under temporary United Nations administration pending an overall settlement of the Cyprus problem (para. 19).

The United Nations administration and security of the fenced area of Varosha will be implemented in line with the requirements during the following phases of the reopening of the fenced area of Varosha: (a) the preparatory phase; (b) the planning and feasibility studies phase; (c) the reconstruction phase; and (d) the post-reconstruction phase (para. 18).

The Secretary-General of the United Nations will appoint a UNTA administrator of the fenced area of Varosha acceptable to the leaders of both communities (para. 6).

In the discharge of his functions, the administrator of Varosha may enlist the advice and assistance of both sides. The administrator of Varosha may arrange for local services to be provided through subcontracting to persons from

In administering the fenced area, the United Nations could enlist the advice and assistance of both sides (para. 38).

the two communities. In matters of contract and employment, the administrator will adopt an equitable approach between the members of the two communities, bearing in mind considerations of commercial viability and individual qualifications and experience (para. 7).

The UNTA administrator of Varosha will consult the leaders of the two communities prior to any modification of the laws and regulations in force in Cyprus on 1 December 1963 (para. 11).

The UNTA administrator of Varosha will ensure the fair and efficient administration of justice and, to this end, will appoint a limited and equal number of judges nominated by the leaders of their respective communities, as well as, having consulted the leaders of the two communities, a limited number of qualified non-Cypriot judges (para. 12).

The appellate organ will be composed of three qualified judges, one nominated by the leader of the Greek Cypriot community, one nominated by the leader of the Turkish Cypriot community, and a non-Cypriot selected by the administrator, having consulted the leaders of the two communities (para. 13).

Allegations of discrimination on grounds of race, community, religion or gender may be addressed to the administrator of Varosha, who will investigate such charges without delay and will take legal action as appropriate (para. 25).

In the execution of his functions, the administrator of Varosha will enlist the advice and assistance of both communities in developing and implementing intercommunal contact and intercommunal trade for the benefit of both communities. To this end, the administrator will:

(a) Liaise with the leaders of the two communities on overall policy matters such as those dealing with security, administration of justice, financial arrangements and equitable economic opportunities for both communities;

(b) Seek the assistance of business and trade union organizations of both communities in developing and implementing intercommunal trade and commerce for the benefit of both communities, including joint ventures, tourism and other business enterprises; and

(c) Seek the assistance of representative advisory groups of the inhabitants of the fenced area of Varosha in promoting efficient local services, such as town planning, sanitation, refuse collection, public health, transportation, communications and public utilities and taxation (para. 34).

The costs of the administration and security of the fenced area of Varosha would be borne locally in an agreed manner (para. 38).

All costs related to the reconstruction, administration and security of the fenced area will be borne by the property owners and inhabitants of the fenced area of Varosha in a manner to be established by the Secretary-General, through the administrator of Varosha, having consulted all concerned. International assistance will be sought for the reconstruction of the fenced area of Varosha (para. 15).

As a means of generating revenue to help to cover the cost of the administration and security of the fenced area of Varosha, the administrator may collect such local taxes as he may deem necessary, having consulted all concerned. The administrator, having consulted the leaders of the two communities, may also collect appropriate customs duties on overseas goods imported into the fenced area of Varosha on the basis of a tariff established by him, having consulted both leaders (para. 16).

The administrator of Varosha, having consulted all concerned, will prepare periodic budgets for the administration and security of Varosha ... Deficits, if any, in the budget of the fenced area of Varosha will be borne by the property owners and inhabitants of the fenced area of Varosha in a manner to be established by the Secretary-General through the administrator of Varosha, having consulted all concerned. United Nations accounting and audit procedures will apply (para. 17).

The United Nations would be responsible for the security of the fenced area of Varosha (para. 38).

The fenced area of Varosha shall be demilitarized; no paramilitary formations, exercises or activities shall be permitted within the area. No person in the fenced area of Varosha, other than authorized United Nations personnel, will be allowed to possess any weapons, firearms or ammunition. In the interest of promoting intercommunal harmony, no national flags or emblems will be displayed publicly in the fenced area of Varosha (para. 5).

	The UNTA administrator of Varosha will have full authority, under the direction of the Secretary-General, to provide good and effective administration and security, to maintain law and order through a UNTA police element ... (para. 7).
The fenced area of Varosha would be opened in two stages: (a) In stage one, that part of the fenced area to the south of Dhimokratias Street would be opened, two months after being placed under United Nations administration; for rehabilitation, the owners of property in that part could reclaim possession of their property and bicommunal contact would be initiated in line with the provisions of the two subparagraphs immediately hereunder; (b) In stage two, beginning at an agreed date, the same arrangements would be applied to the part of the fenced area to the north of Dhimokratias Street (para. 38).	Two months after coming under United Nations administration, that part of the fenced area of Varosha to the south of Dhimokratias Street will be opened for rehabilitation, the owners of property in that part can reclaim possession of their property and bicommunal contact will be initiated in line with the provisions set out in the subsequent section on arrangements for making the fenced area of Varosha a special area for bicommunal contact and commerce (phase one) (para. 20). On the same date as Nicosia International Airport is reopened for operations, that part of the fenced area of Varosha to the north of Dhimokratias Street will be reopened, the owners of property in that part can reclaim possession of their property and bicommunal contact will be initiated in line with the provisions set out in the subsequent section on arrangements for making the fenced area of Varosha a special area for bicommunal contact and commerce (phase two) (para. 21).
The fenced area of Varosha would have a special character for intercommunal contact and trade (para. 38).	The fenced area of Varosha will be a special area for bicommunal contact and commerce (para. 22).

The UNTA administrator of Varosha will, having consulted both sides, include in the budget of the fenced area of Varosha a significant provision to promote bicommunal contact and exchange in wide and varied fields, including business opportunities, trade and tourism promotion, sports, culture and the arts, intercommunal understanding, etc. (para. 30).

In the execution of his functions, the UNTA administrator of Varosha will enlist the advice and assistance of both communities in developing and implementing intercommunal contact and intercommunal trade for the benefit of both communities. To this end, the administrator will:

(a) Liaise with the leaders of the two communities on overall policy matters such as those dealing with security, administration of justice, financial arrangements and equitable economic opportunities for both communities;

(b) Seek the assistance of business and trade union organizations of both communities in developing and implementing intercommunal trade and commerce for the benefit of both communities, including joint ventures, tourism and other business enterprises; and

(c) Seek the assistance of representative advisory groups of the inhabitants of the fenced area of Varosha in promoting efficient local services, such as town planning, sanitation, refuse collection, public health, transportation, communication and public utilities and taxation (para. 34).

The Chambers of Commerce and Industry of both sides would assist the United Nations administration in the fenced area of Varosha in developing and implementing intercommunal trade for the benefit of both communities (para. 38).

Organizations of both communities selected by the United Nations would assist the United Nations administration in the fenced area of Varosha in developing and implementing intercommunal contact (para. 38).

Greek Cypriots and Turkish Cypriots would be able to enter the fenced area of Varosha freely and without formality (para. 38).

Business and trade union organizations of the respective communities will assist the UNTA administrator of Varosha in developing and implementing intercommunal trade for the benefit of both communities (para. 31).

The UNTA administrator of Varosha will select organizations of both communities to assist him in developing and implementing intercommunal contact (para. 33).

The UNTA administrator of Varosha will ensure that Greek Cypriots and Turkish Cypriots will be able to enter the fenced area of Varosha freely and without formality and in an unhindered and secure manner, subject only to the requirements of normal security. The area between the southern perimeter of the fenced area of Varosha and the United Nations-controlled buffer zone will be included in the unmanning agreement called for by the Security Council in resolution 889 (1993). Passage between the southern end of the fenced area of Varosha and the United Nations-controlled buffer zone will be under the protection of the United Nations (para. 8).

They [Greek Cypriots and Turkish Cypriots] may bring back to their respective sides items purchased in the fenced area of Varosha for their personal use (para. 22).

Transactions in the fenced area of Varosha will not be restricted to any currency (para. 23).

Greek Cypriots and Turkish Cypriots could engage in commercial activities [in the fenced area of Varosha], including the sale of products, produce and services brought there from their respective sides (para. 38).

Greek Cypriots and Turkish Cypriots who wished to establish commercial enterprises in the fenced area of Varosha and who do not own property in the fenced area of Varosha would be provided premises on the basis of long-term leasing and the construction of new premises (para. 38).

Greek Cypriots and Turkish Cypriots will be able to engage in commercial activities in the fenced area of Varosha, including the sale of products, produce and services, whether locally produced or imported, irrespective of origin, brought in from their respective sides (para. 24).

An open market will operate in the fenced area of Varosha for the sale, purchase, leasing and renting of commercial and residential premises on a non-discriminatory basis. All sales and leasing of properties will be registered with the UNTA administrator of Varosha. Allegations of discrimination on the grounds of race, community, religion or gender may be addressed to the UNTA administrator of Varosha, who will investigate such charges without delay and will take legal action as appropriate (para. 25).

The administrator of Varosha will establish, at the beginning of phase one of the rehabilitation of the fenced area of Varosha, a property-leasing office, as part of the UNTA in the fenced area in Varosha, through which commercial properties can be leased at market rates to members of either community (para. 26).

Greek Cypriots and Turkish Cypriots who wish to establish commercial enterprises in the fenced area of Varosha and who do not own property in the fenced area of Varosha will be provided, through the UNTA property-leasing office, the opportunity to obtain premises on the basis of long-term leasing and the construction of new premises (para. 27).

Should the availability of commercial properties through the aforementioned channels prove inadequate to meet demand, the leader of the Greek Cypriot community, upon request from the administrator of Varosha, will undertake to make available, under the aegis of the administrator of Varosha, a commercial centre comprising units for leasing by the UNTA property leasing-office at market rates to persons of both communities (para. 28).

A principal aim of these arrangements is to afford Turkish Cypriots wishing to conduct business in the fenced area of Varosha an equal opportunity to do so in significant numbers, in keeping with the normal operation of the market place (para. 29).

The Chambers of Commerce and Industry of the two sides would together identify, develop and promote joint ventures between Greek Cypriots and Turkish Cypriots. Arrangements would be made to facilitate the financing of such projects, through loans, loan guarantees, etc. (para. 38).

Business organizations of the two sides will together identify, develop and promote joint ventures between Greek Cypriots and Turkish Cypriots. Each side will endeavour to facilitate arrangements so that, on the basis of commercial viability, such ventures will benefit from loans, loan guarantees and other incentives (para. 32).

The unhindered travel of foreign visitors provided for in the arrangements concerning Nicosia International Airport could be exercised through Varosha (para. 38).

Foreign visitors who enter Cyprus through Nicosia International Airport may, during their stay on the island, travel unhindered between the two sides, including through the fenced area of Varosha, subject only to the requirements of normal security. Foreign visitors may bring back items purchased for their personal use (para. 9).

Foreign visitors in the south would be able to travel unhindered from the southern part of the island to the northern part of the island through the fenced area of Varosha (para. 38).

The laws to be applied in the fenced area of Varosha would be those that were in force in Cyprus on 1 December 1963. Cases involving persons from both communities would be heard jointly by a Greek Cypriot and a Turkish Cypriot magistrate designated by their respective communities (para. 38).

As soon as the fenced area of Varosha is placed under United Nations administration, foreign visitors in the southern part of the island will be able to travel unhindered from the southern part to the northern part of the island through the fenced area, subject only to the requirements of normal security. Foreign visitors may bring back items purchased for their personal use (para. 9).

All persons in the fenced area of Varosha shall enjoy human rights and fundamental freedoms in accordance with the Universal Declaration of Human Rights (para. 10).

To the extent that they are consistent with the letter and spirit of the present agreement, laws and regulations in force in Cyprus on 1 December 1963 will be applied in the fenced area of Varosha. Should the need arise, the administrator of Varosha may modify such laws and regulations, consistent with relevant international standards and conventions and within the spirit and framework of these arrangements. The leaders of the two communities will be consulted prior to any such modification (para. 11).

The UNTA administrator of Varosha will ensure the fair and efficient administration of justice and, to that end, will appoint a limited and equal number of qualified judges from each community nominated by the leaders of their respective community, as well as, having consulted the leaders of the two communities, a limited number of qualified non-Cypriot judges. Cases involving persons of one community will be

heard by a judge of that community. Cases involving persons of both communities or foreign nationals will be heard jointly by a judge from each community and a non-Cypriot judge (para. 12).

The UNTA administrator of Varosha will appoint members of an appellate organ to hear cases on appeal. It will be composed of three qualified judges, one nominated by the leader of the Greek Cypriot community, one nominated by the leader of the Turkish Cypriot community, and a non-Cypriot selected by the administrator of Varosha, having consulted the leaders of the two communities (para. 13).

No claims or cases may be heard based upon facts or events that occurred or are alleged to have occurred prior to the date on which the United Nations assumes responsibility of the fenced area of Varosha (para. 14).

Pending a mutually agreed overall settlement, this agreement cannot be amended in any way without the consent of both sides and the approval of the Security Council (para. 53).

Both sides commit themselves to take no action of any kind to prevent or adversely affect the full implementation of this agreement, including the free movement of people or goods from either side through Nicosia International Airport and to and from the fenced area of Varosha (para. 54).

Pending a mutually agreed overall settlement, the above arrangements could not be amended in any way without the consent of both sides and of the United Nations administration in the fenced area of Varosha. Either side could address to the United Nations any complaint about the implementation of the above arrangements by the other side. The United Nations administration in the fenced area of Varosha would consider the matter without delay. The two sides would be obligated to implement the recommendations of the United Nations promptly and in good will (para. 38).

Either side may address any complaint concerning the implementation of this agreement to the UNTA administrator of Varosha and of the airport as appropriate. The two sides commit themselves to implement promptly and in good faith the conclusions of the administrator concerned (para. 55).

The senior representative of the Secretary-General in Cyprus will hold monthly meetings with the leaders of the two communities and the UNTA administrators of Varosha and Nicosia International Airport to review the effective implementation of this agreement (para. 56).

These arrangements would be implemented without prejudice to the respective positions of both sides on an overall settlement of the Cyprus problem (para. 38).

The present agreement will be implemented without prejudice to the respective positions of both sides on an overall settlement of the Cyprus problem (para. 57).

II. NICOSIA INTERNATIONAL AIRPORT

Nicosia International Airport ... would open for the equal benefit of both sides (para. 42).

Nicosia International Airport would be opened for civilian passenger and cargo traffic under the administration of the United Nations in cooperation with International Civil Aviation Organization (ICAO) as from an agreed date and pending a mutually agreed solution to the Cyprus problem (para. 43).

Nicosia International Airport, as delineated on the attached map (see annex IV), will be reopened for civilian passenger and cargo traffic, pending a mutually agreed solution to the Cyprus problem, under the temporary administration of the United Nations (United Nations Temporary Administration (UNTA)) in cooperation with the International Civil Aviation Organization (ICAO), for the equal benefit of both communities (para. 35).

The Secretary-General of the United Nations, having consulted the President of the Council of ICAO, will appoint a UNTA airport administrator acceptable to the leaders of both communities. The airport administrator will be responsible to the Secretary-General through the senior representative of the Secretary-General

in Cyprus. The airport administrator will submit six-monthly reports on the implementation of the present agreement related to the UNTA of Nicosia International Airport and the Secretary-General will report to the Security Council on a regular basis (para. 36).

The UNTA airport administrator will have full authority, under the direction of the Secretary-General, for the rehabilitation, operation and security of Nicosia International Airport in line with the terms of the present agreement, which will be approved by the Security Council (para. 37).

The applicable law and the administration of justice at Nicosia International Airport will be the same as that provided for in the fenced area of Varosha. No claims or cases may be heard based upon facts or events which occurred or are alleged to have occurred prior to the date on which the United Nations assumes responsibility of Nicosia International Airport (para. 38).

Nicosia International Airport will be placed under United Nations administration two months after the approval of the present agreement by the Security Council. The UNTA administrator, having consulted the leaders of the two communities, will immediately upon assuming his functions launch the project for the rehabilitation of Nicosia International Airport with a view to reopening the airport at the earliest possible date. It has been estimated that the rehabilitation of Nicosia International Airport could be completed within 12 months (para. 41).

	Air control and safety at Nicosia International Airport will be the exclusive responsibility of the UNTA airport administrator, who will take into account the safety of flights to and from other airports in Cyprus (para. 45).
Traffic rights at the airport would be limited to foreign airlines that have traffic rights in Cyprus. Such rights will also be enjoyed by airlines registered in the Republic of Turkey (para. 43).	Traffic rights at Nicosia International Airport will be enjoyed by airlines that have traffic rights in Cyprus and by an agreed number of airlines registered in Turkey (para. 42).
	The UNTA airport administrator will have authority to negotiate traffic rights for a Turkish Cypriot airline between Nicosia International Airport and overseas destinations (para. 43).
	The UNTA airport administrator shall have authority to undertake measures as may be necessary to implement traffic rights at Nicosia International Airport, to approve non-scheduled flights and charter programmes, to allocate gates and slots and to regulate traffic (para. 44).
Landing charges at the airport would be arranged by the United Nations/ICAO in such a way as not to affect adversely existing agreements with other airports in Cyprus (para. 43).	Landing charges at Nicosia International Airport will be determined by the airport administrator in a manner that will not affect adversely existing agreements with other airports in Cyprus (para. 39).
There would be free access to and from the airport from both sides (para. 43).	Civilian passengers and cargo from/to both communities will have free and unhindered access to Nicosia International Airport, subject only to normal security (para. 46).

Foreign visitors who entered Cyprus through Nicosia International Airport could, during their stay on the island, travel unhindered between the two sides (para. 43).

In administering and operating the airport, the United Nations/ICAO could enlist the advice and assistance of both sides (para. 43).

Arrangements will be made, bearing in mind the relevant Security Council resolutions on Cyprus, and the prerogative of States so that, once the present agreement has been approved by the Security Council, Turkish Cypriots can obtain entry documents to facilitate travel to foreign countries (para. 47).

Foreign visitors who enter Cyprus through Nicosia International Airport can, during their stay on the island, travel unhindered between the two sides. To this end, travel documents of foreign visitors who enter Cyprus at Nicosia International Airport will be stamped only "Nicosia International Airport" (para. 46).

In administering Nicosia International Airport, the airport administrator may enlist the advice and assistance of both communities. The airport administrator may employ a small complement of international and local staff to assist him in carrying out these responsibilities under such terms and conditions as the Secretary-General may determine. In matters of contract and employment, the administrator of Nicosia International Airport will adopt an equitable approach between members of the two communities, bearing in mind considerations of commercial viability and individual qualifications and experience (para. 37).

The applicable law and administration of justice at Nicosia International Airport will be the same as that provided for the fenced area of Varosha (para. 38).

The United Nations/ICAO would be responsible for the security of the airport (para. 43).

The costs of making the airport operational and its administration, operation and security would be borne locally in an agreed manner (para. 43).

The UNTA administrator will have full authority, under the direction of the Secretary-General, for the rehabilitation, operation and security of Nicosia International Airport in line with the terms of the present agreement, which will be approved by the Security Council (para. 37).

The cost of the administration, operation and security of Nicosia International Airport will be borne on an equal basis by the two communities. The UNTA airport administrator, having consulted with the leaders of both communities, will prepare the budget of the UNTA for Nicosia International Airport and such budget will be submitted to the Secretary-General for approval. Deficits, if any, in the budget of UNTA for Nicosia International Airport will be borne on an equal basis by the two communities. United Nations accounting and audit procedures will be applied (para. 40).

International assistance will be sought to help to meet the cost of the rehabilitation of Nicosia International Airport. As a means of generating revenue to help to cover the cost of the administration, operation and security of Nicosia International Airport, the UNTA airport administrator, having consulted the leaders of the two communities, may collect an airport tax and customs duties on all goods arriving at Nicosia International Airport from overseas on the basis of a tariff established. The airport administrator may also grant concessions at Nicosia International Airport in an equitable manner to persons from each side, for which the lessee will pay a concession fee determined by the airport administrator based on fair market value (para. 39).

Both sides would commit themselves to take no action of any kind to prevent or adversely influence the free movement of people and goods through Nicosia International Airport. In this connection, either side could address to the United Nations administration of the airport any complaint concerning the implementation of this commitment. The United Nations airport administration would consider the matter without delay and the two sides would commit themselves to implement promptly and in good will the recommendations that the administration might make in the matter (para. 43).

These arrangements would be implemented without prejudice to the respective positions of both sides on an overall settlement of the Cyprus problem (para. 43).

Pending a mutually agreed overall settlement, the present agreement cannot be amended in any way without the consent of both sides and the approval of the Security Council (para. 53).

Both sides commit themselves to take no action of any kind to prevent or adversely affect the full implementation of the present agreement, including the free movement of people or goods from either side through Nicosia International Airport and to and from the fenced area of Varosha (para. 54).

Either side may address any complaint concerning the implementation of the present agreement to the UNTA administrator of Varosha and of the airport as appropriate, who will consider the matter without delay. The two sides commit themselves to implement promptly and in good faith the conclusions of the administrator concerned (para. 55).

The senior representative of the Secretary-General in Cyprus will hold monthly meetings with the leaders of the two communities and the UNTA administrators of Varosha and of the airport to review the effective implementation of the present agreement (para. 56).

The present agreement will be implemented without prejudice to the respective positions of both sides on an overall settlement of the Cyprus problem (para. 57).

III. OTHER CONFIDENCE-BUILDING MEASURES

The 12 confidence-building measures listed in annex I to the Secretary-General's report of 1 July 1993 (S/26026) were acceptable to both sides (para. 16):

- Meetings of political party leaders of both sides.
- Meetings of the Chambers of Commerce and Industry of both sides to identify and develop joint commercial projects.
- Cooperation between the representatives of the Greek Cypriot and Turkish Cypriot communities of Nicosia to identify and implement joint projects for the benefit of both sides in Nicosia.
- Journalists of both sides may cross the lines by only showing their press identification cards issued by the United Nations. Open joint journalist meeting room at the Ledra Palace Hotel.

The 12 other confidence-building measures set out in annex I to the Secretary-General's report of 1 July 1993 (S/26026) will be implemented by the two communities once the present agreement is approved by the Security Council (para. 48).

Efforts of the two communities towards the realization of the following confidence-building measures are already under way and will be intensified (para. 49):

- Meeting of political party leaders of both sides;
- Meetings of Chambers of Commerce and Industry of both sides to identify and develop joint commercial projects;
- Cooperation between representatives of the Greek Cypriot and Turkish Cypriot communities of Nicosia to identify and implement joint projects for the benefit of both sides in Nicosia;
- The frequency with which journalists of each community have crossed the lines has increased. The leaders of the two communities agree that this will be further facilitated by enabling journalists simply to show a press identification card issued by the United Nations; arrangements have been initiated to open a joint meeting room for journalists at the Ledra Palace Hotel;

- Cooperation with the United Nations Peace-keeping Force in Cyprus in extending the unmanning agreement of 1989 to cover all areas of the United Nations-controlled buffer zone where the two sides are in close proximity to each other.	- As requested in Security Council resolution 889 (1993), the United Nations Peace-keeping Force in Cyprus has initiated contacts on extending the unmanning agreement of 1989 to cover all areas of the United Nations-controlled buffer zone where the two sides are in close proximity to each other;
- Intercommunal cooperation in Pyla, including the free movement of goods in the same manner as agreed in Varosha.	- Promoting intercommunal cooperation in Pyla; it is agreed that when the present agreement is signed, provisions regarding the free movement of goods as agreed for Varosha will apply to Pyla.
	The leaders of the two communities undertake to designate qualified experts from their communities so that work can begin on the following confidence-building measures as soon as the present agreement is approved by the Security Council (para. 50):
- Expert cooperation on the short-term and long-term water problem of Cyprus, in particular increasing the water supply.	- Cooperation between experts of the two communities on the short-term and long-term water problem of Cyprus, in particular increasing the water supply;
- Expert cooperation on education, in particular to promote intercommunal harmony and friendship.	- Cooperation between experts of the two communities on education, in particular to promote intercommunal harmony and friendship;
- Expert cooperation in areas such as health and environment.	- Cooperation between experts of the two communities in health and the environment;
- Cooperative arrangements on electricity, taking into account that the electric generator in the north will come on stream soon.	- Cooperative arrangements on electricity, taking into account that the electric power generator in the north will come on stream soon;

- Joint cultural and sport events, including the joint use of the Cetinkaya field in the buffer zone near the Ledra Palace Hotel.

- International assistance shall benefit the two communities in an equitable manner.

- Joint cultural and sports events, including the joint use of the Cetinkaya field in the buffer zone near the Ledra Palace Hotel.

- International assistance shall benefit the two communities in an equitable manner. To this end, the United Nations will assist the Turkish Cypriot community in preparing projects, including projects to help Turkish Cypriots to develop their tourism infrastructure and facilities and, once the present agreement is approved by the Security Council, in obtaining international financing for these (para. 51).

The United Nations will assist the two communities in achieving these objectives (para. 52).

Annex II

Schedule of benefits from the implementation of the confidence-building measures

The ideas presented to each side on 21 March 1994 for the implementation of the confidence-building measures would result in the following schedule of actions and benefits:

A-day

The two leaders sign an agreement on the modalities for implementing the package of confidence-building measures. The two sides, in doing so, commit themselves to take no action of any kind to prevent or adversely affect the full implementation of the agreement, including the free movement of people or goods from either side through Nicosia International Airport and to and from the fenced area of Varosha.

D-day

The Security Council endorses the agreement.

D+2 months

The fenced area of Varosha and Nicosia International Airport are placed under the temporary administration of the United Nations, pending an overall settlement of the Cyprus problem. The local staff who will assist the United Nations administrators of Varosha and Nicosia International Airport to be drawn from the two communities in an equitable manner.

The project for the restoration of Nicosia International Airport is launched with a view to its reopening at the earliest possible date, estimated at 12 months. Contracts for supplies and services, as well as employment related to the rehabilitation of Nicosia International Airport to be allocated in an equitable manner to members of the two communities. It has been estimated that over $5 million in contracts as well as a significant number of the 100 unskilled and 90 semi-skilled and skilled jobs involved are likely to be obtained by Turkish Cypriots.

Foreign visitors in the southern part of the island can travel, in unlimited numbers and unhindered, through the fenced area of Varosha, to the northern part of the island, subject only to the requirements of normal security, and can remain there for periods of unlimited duration. Foreign visitors can bring back from the northern part of the island items purchased for their personal use. It has been estimated that at least 10 per cent of the foreign tourists who annually visit the southern part of the island (i.e., at least 200,000 visitors) would avail themselves of this opportunity and visit the northern part of the island. This would result in an estimated annual revenue

of at least $34 million for the Turkish Cypriot side. This benefit would occur without any significant outlay for development of the Turkish Cypriot tourism sector. Investment in the development of tourist facilities in the northern part of the island would help to realize significant potentials for even larger numbers of foreign visitors from the southern part of the island.

Turkish Cypriots can obtain, under arrangements made clear before the signing of the agreement on implementing the confidence-building measures, appropriate entry documents to facilitate travel to foreign countries.

The United Nations assists the Turkish Cypriot community in obtaining, under arrangements made clear before the signing of the agreement on implementing the confidence-building measures, international financing for projects, including those designed to help that community to develop tourism infrastructure and facilities in the northern part of the island.

D+4 months

That part of the fenced area of Varosha to the south of Dhimokratias Street is opened for rehabilitation and the owners of property there can reclaim possession of their property. It has been estimated that the rehabilitation of Varosha will require an investment of at least $1 billion, of which some 35 per cent will meet the costs of unskilled/semi-skilled workers, most of whom are likely to come from the Turkish Cypriot side. It has been estimated that some 10 per cent of the required construction services and material, with a value of about $50 million, would come from the Turkish Cypriot side.

Bicommunal contact and commerce is initiated in the fenced area of Varosha to the south of Dhimokratias Street in line with the arrangements set out in the agreement:

(a) Greek Cypriots and Turkish Cypriots will be able to enter the fenced area of Varosha freely and without formality, subject only to normal security. They may bring back to their respective sides items purchased in the fenced area of Varosha for their personal use;

(b) Greek Cypriots and Turkish Cypriots will be able to engage in commercial activities, including the sale of products, produce and services, whether locally produced or imported, irrespective of origin, brought in from their respective side;

(c) A United Nations property-leasing office will be established, through which commercial properties can be leased in the fenced area of Varosha at market rates by members of either community;

(d) Should the availability of commercial properties in the fenced area of Varosha prove inadequate to meet the demand, a commercial centre comprising units for leasing by the United Nations property-leasing office at market rates to members of both communities will be constructed under the aegis of the United Nations administrator of Varosha;

(e) The budget for the administration of the fenced area of Varosha will include a significant provision to promote bicommunal contacts and exchange in a wide variety of fields, including business, trade, tourism promotion, sports, culture, the arts and intercommunal understanding;

(f) Business and trade union organizations from both sides will assist the United Nations administrator in developing intercommunal trade for the benefit of both communities, including joint ventures. It has been estimated that a reopened Varosha would generate some 9,000 jobs, a large number of which would be filled by Turkish Cypriots.

D+14 months (approximate)

Nicosia International Airport is reopened for operations under United Nations administration (i.e., not under the control of either side). This provides inter alia a direct link between the northern part of Cyprus and the rest of the world through scheduled, non-scheduled and charter flights.

Airlines that have traffic rights in Cyprus enjoy traffic rights at Nicosia International Airport. Such rights are also enjoyed by an agreed number of airlines registered in Turkey.

Turkish Cypriot airline begins to operate between Nicosia International Airport and foreign destinations.

Non-scheduled flights and charter programmes are authorized at Nicosia International Airport.

Turkish Cypriots are able to travel, unhindered, directly between Nicosia International Airport and foreign destinations.

Turkish Cypriots are able to import and export directly and unhindered via Nicosia International Airport. This effectively eliminates the obstacles currently faced by Turkish Cypriots as concerns international air freight and results in lower transportation and insurance costs.

Foreign visitors are able to travel directly and unhindered to the northern part of the island via Nicosia International Airport. This eliminates the current obstacles which have impeded the development of tourism in the northern part of Cyprus. It has been estimated that the growth in tourism would result in a prompt increase in the tourist bed occupancy rate from 31 to 55 per cent. The increased flow of tourists would also facilitate the objective of the Turkish Cypriots to increase their tourist bed capacity. It has been estimated that each increase of 1,000 beds in capacity would yield an annual aggregate income of some $30 million to the Turkish Cypriot community.

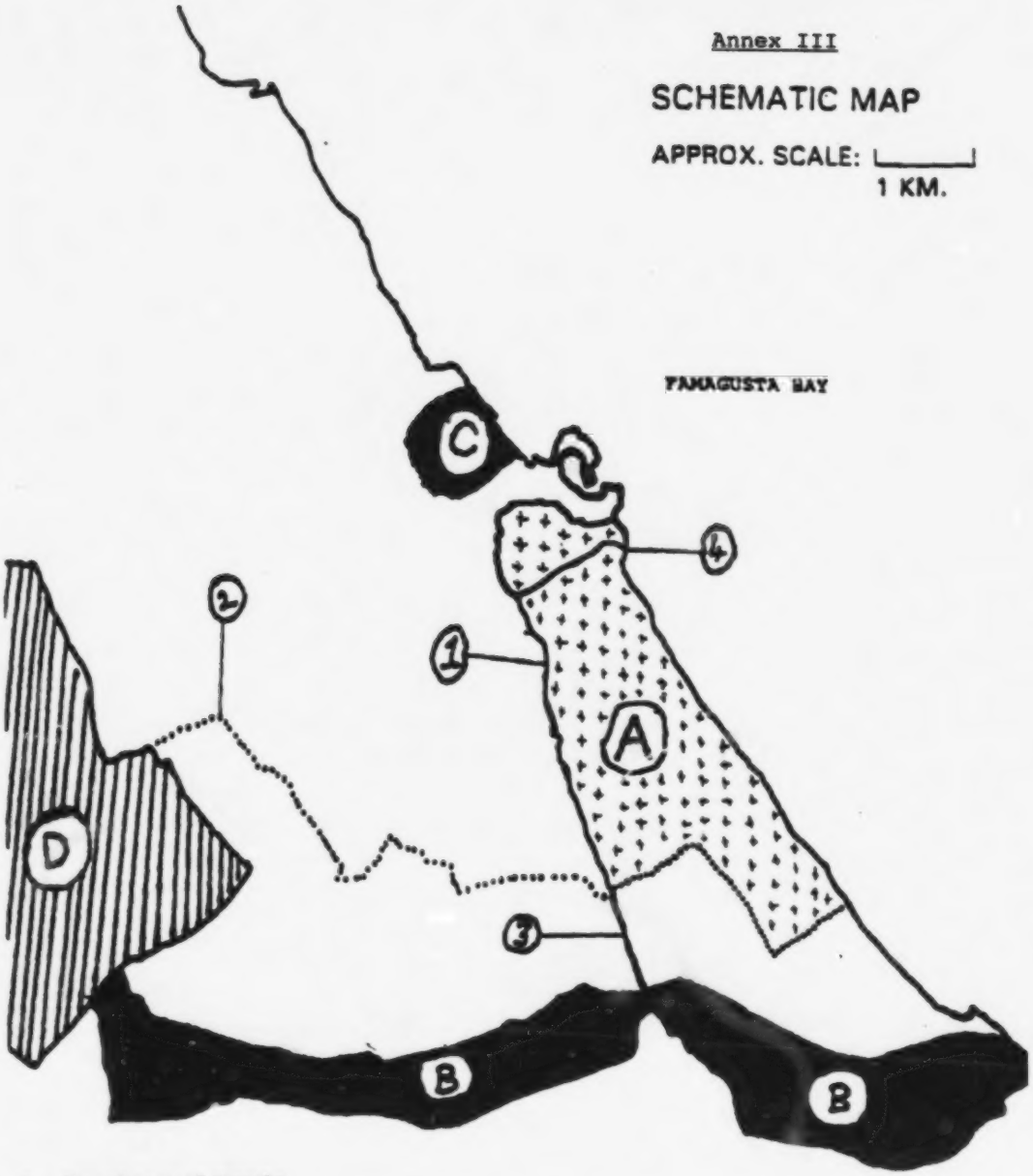
The part of the fenced area of Varosha north of Dhimokratias Street is reopened and the owners of property there can reclaim possession of their property.

Bicommunal contact and commerce is initiated in the area north of Dhimokratias Street in line with the agreed arrangements (same arrangements as above for the area south of Dhimokratias Street).

Annex III

SCHEMATIC MAP

APPROX. SCALE: 1 KM.



A. Fenced area of Varosha
B. United Nations-controlled buffer zone
C. Old city of Famagusta
D. Eastern United Kingdom Sovereign Base area

1. The physical fence (status quo)
2. Varosha municipal administrative line
3. Dherinia link road
4. Dhimokratias Street

Annex IV

SCHEMATIC MAP OF

NICOSIA INTERNATIONAL AIRPORT

NOT TO SCALE